

Message Text

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FM AMCONSUL LUANDA

TO SECSTATE WASHDC 2531

INFO AMEMBASSY LISBON

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SUBJECT: FOREIGN INVESTMENT CLIMATE AND STATISTICS - ANGOLA

REF: STATE 053993

1. INVESTMENT CLIMATE: PRESENT AND PROJECTED US DIRECT FOREIGN INVESTMENT (DFI) IN ANGOLA IS ALMOST ENTIRELY LIMITED TO CRUDE OIL PRODUCTION. WE BELIEVE THE PORTUGUESE GOVERNMENT WOULD BE GENERALLY RECEPTIVE TO AMERICAN DFI IN THE NON-EXTRACTIVE SECTOR IN ANGOLA IF IT INVOLVED THE IMPORT OF ALL OR NEARLY ALL OF THE CAPITAL REQUIRED, AND BROUGHT IN AT LEAST RELATIVELY NEW TECHNOLOGY AND EXPERTISE. THE PRESENT CLIMATE IS PARTICULARLY FAVORABLE TO INVESTMENT IN SOPHISTICATED LARGE SCALE FARMING (ESPECIALLY BEEF PRODUCTION) EITHER FOR EXPORT OR FOR LOCAL CONSUMPTION.

2. ANGOLA'S 13 YEAR OLD INSURGENCY, AT ITS LOWEST LEVEL SINCE ITS INCEPTION, AFFECTS DIRECTLY ONLY APPROXIMATELY ONE HALF OF ONE PERCENT OF THE COUNTRY'S 6 MILLION INHABITANTS. TO DATE, URBAN TERRORISM AND KIDNAPPING HAVE NOT BEEN PROBLEMS.

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3. ECONOMY: ANGOLA'S 1973 CNP (CURRENT PRICES) IS CONSERVATIVELY ESTIMATED AT US\$2.82 BILLION (US\$470 PER CAPITA), GROWING AT ABOUT 11 PERCENT ANNUALLY. APPROXIMATELY 20 PERCENT OF THE POPULATION IS WITHIN THE ECONOMY'S "MODERN" COMPONENT. (ONLY 10 PERCENT ARE ENTIRELY OUTSIDE THE MONEY ECONOMY AND THUS NOT CURRENTLY POTENTIAL CONSUMERS OF NEW PRODUCTS.) CONSUMER PRICE INFLATION WAS 9 PERCENT FROM MID 1972 TO MID 1973 AND HAS RECENTLY BEEN AVERAGING ABOUT ONE PER CENT MONTHLY.

4. PROBLEMS: ALTHOUGH THE TWO-YEAR OLD SYSTEM OF FOREIGN EXCHANGE RESTRICTIONS HAS ENCOURAGED MODEST DEVELOPMENT OF LOCAL INDUSTRY, SOME OF THE NEW INDUSTRIES ARE HAVING DIFFICULTIES IMPORTING ESSENTIAL INPUTS. EXCHANGE RESTRICTIONS ALSO ACT TO LIMIT PROFIT REPATRIATION. GOVERNMENT-IMPOSED REQUIREMENTS, REGULATIONS AND LICENSING PROCEDURES WHILE NOT SUBSTANTIVELY EXCESSIVE OR DIFFICULT TO COMPLY WITH OFTEN CAUSE SUBSTANTIAL DELAY.

5. STATISTICS: THE ONLY FIGURE AVAILABLE IS GULF OIL COMPANY'S INVESTMENT OF ABOUT US\$300 MILLION IN CABINDA. SIX OTHER U.S. OIL COMPANIES ARE CURRENTLY IN THE INITIAL STAGES OF MAKING WHAT MAY BE EQUALLY LARGE INVESTMENTS.

6. INFORMATION IN THE INVESTMENT CLIMATE REPORT FOR METROPOLITAN PORTUGAL IS GENERALLY RELEVANT TO INVESTMENT IN ANGOLA, AND IN ANY EVENT SHOULD BE TAKEN INTO ACCOUNT BY ANY POTENTIAL INVESTOR IN THIS OVERSEAS PROVINCE OF PORTUGUAL.

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